

FISCAL MEMORANDUM

SB 611 – HB 653

May 19, 2008

SUMMARY OF AMENDMENTS (018427, 018570, 018847):

Amendment 018427 deletes the language of the original bill; makes multiple changes to the lottery scholarship program including, but not limited to, changes applicable to non-traditional students; home-schooled students; students who are dependents of military parents; students who are dependents of religious workers; academic eligibility requirements for HOPE scholarships; HOPE Foster Child Tuition grants; and Wilder-Naifeh technical skills grants for non-traditional students. This amendment also requires the Department of Education (DOE) to develop and implement the General Assembly Civic Education Scholarship program to promote and encourage civic learning and good citizenship; creates the Helping Heroes Scholarship Act of 2008 for 375 students per year; creates a pilot program to provide laptop computers to dual enrollment students taking courses that require computers; changes the computation method for grade point average under certain circumstances; allocates \$10,000,000 from the Lottery for Education Account for the purpose of funding Tennessee Student Assistance Awards for FY08-09; authorizes any remaining balance of the Lottery for Education Account to be invested for the purpose of earning recurring interest revenue, which shall be used to fund Tennessee Student Assistance Awards and other provisions of this act beginning in FY09-10; changes the 120-hour limitation to five full years, with one semester of retroactive awarding; and awarding full HOPE scholarship to students attending two-year private institutions. Amendments 018570 and 018847 create the Tennessee Rural Health Act of 2008, a scholarship program for eligible medical school students.

FISCAL IMPACT OF ORIGINAL BILL:

Other Fiscal Impact – Increases the expenditure of lottery proceeds earmarked for scholarships and grants by \$34,603,200 in FY07-08 and by \$38,062,000 in FY08-09.

There is included in the Governor's FY2007-08 Recommended Budget the amount of \$9,300,000 from recurring lottery for education revenues for the increase in the base HOPE Scholars award levels. The amounts will increase from \$3,800 to \$4,000 at four-year schools and from \$1,900 to \$2,000 at two-year schools. Other awards, which are based on the HOPE award levels, will increase accordingly.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

Other Fiscal Impact – Transfers \$10,000,000 of non-recurring lottery funds from the Lottery for Education Account to the Tennessee Student Assistance Corporation for the purpose of funding Tennessee Student Assistance Awards in FY08-09. Increases the expenditure of recurring lottery proceeds earmarked for scholarships and grants by \$19,161,400 for FY08-09. Therefore, the total increase of expenditures from lottery proceeds (from both non-recurring and recurring lottery revenue) is estimated to be \$29,161,400 for FY08-09.

The recurring increase of expenditures beginning in FY09-10 is estimated to be \$27,429,200 per year. This amount includes \$10,000,000 of annual Tennessee Student Assistance Awards, which will be funded by interest earnings generated from the Lottery for Education Account. Interest earnings are also expected to fund approximately \$8,675,000 of the bill as amended. An additional \$8,754,200 will be required from recurring lottery revenue each year to fund the provisions of the act.

Assumptions applied to amendment:

- Changing the home-school requirement from two years to one year – first year costs are estimated to be \$400,000 (100 students); second year costs are estimated to be \$440,000 (110 students).
- Changes applicable to the HOPE Foster Child Tuition grant – first year costs are estimated to be \$50,000 (35 students); second year costs are estimated to be \$50,000 (35 students).
- Changes applicable to non-traditional students being eligible for the HOPE Scholarship – first year costs are estimated to be \$3,000,000 (1,772 students); second year costs are estimated to be \$3,000,000 (1,772 students).
- Changes applicable to non-traditional students being eligible for the Wilder-Naifeh Technical Skills grant – first year costs are estimated to be \$2,227,500 (1,737 students); second year costs are estimated to be \$2,227,500 (1,737 students).
- Changing the HOPE continuation requirement from 120 semester hours to five years or degree – first year costs are estimated to be \$2,400,000 (600 students); second year costs are estimated to be \$2,400,000 (600 students).

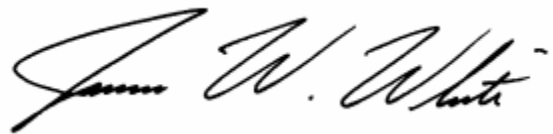
- Retroactive provision for FY07-08 students who lost HOPE awards because of the attempted hours provision – one-time costs for FY08-09 are estimated to be \$1,600,000 (800 students).
- Changes applicable to dependents of religious workers – first year costs are estimated to be \$120,000 (30 students); second year costs are estimated to be \$132,000 (33 students).
- Retroactive provision for changes applicable to dependents of religious workers for FY07-08 academic year (Section 35 of this amendment) – One-time costs of \$120,000 (30 students).
- Authorization for students attending two-year institutions with on-campus housing to be eligible for \$4,000 HOPE award – first year costs are estimated to be \$226,000 (113 students); second year costs are estimated to be \$248,000 (124 students).
- Authorization for students to retain HOPE scholarships with a 2.75 grade point average at the 24 and 48 semester hour benchmark and a 3.0 grade point average at the 72 semester hour benchmark and all subsequent benchmarks – first year costs are estimated to be \$7,087,900 (1,740 students); second year costs are estimated to be \$7,229,700 (1,775 students).
- Changes applicable to dependent children of military members with retroactive provision to FY04-05 – First year costs are estimated to be \$800,000 (200 students); second year costs are estimated to be \$440,000 (110 students).
- The General Assembly Civic Education Scholarship program – no additional costs in FY08-09 because the first year such scholarships are awarded is FY09-10. Costs for FY09-10 are estimated to be \$132,000 (132 students).
- Helping Heroes Act of 2008 – First year costs are estimated to be \$750,000 (375 students); second year costs are estimated to be \$750,000 (375 students).
- Pilot program for dual enrollment students – First-year costs are estimated to be \$300,000 (600 students); no additional cost beyond first-year costs.
- Grade point average calculation provision – First-year costs are estimated to be \$80,000 (20 students); second-year costs are estimated to be \$80,000 (20 students).
- Tennessee Rural Health Act of 2008 - no costs are estimated for FY08-09 because such scholarships are not to be awarded until FY09-10; second-year costs (FY09-10) are estimated to be \$300,000 (25 students). Expenditures for this program will increase by approximately \$300,000 per year until the fourth year, when such program matures. Expenditures for the fully-implemented program will be \$1,200,000 per year beginning in FY12-13.
- The increase of expenditures from recurring lottery proceeds is estimated to be \$19,161,400 for FY08-09. The increase of expenditures

from non-recurring lottery proceeds (from the Lottery for Education Account) is estimated to be \$10,000,000 for FY08-09. Therefore, the total increase of expenditures from lottery proceeds (recurring and non-recurring) is estimated to be \$29,161,400 for FY08-09.

- Based on current lottery revenue and expenditure estimates, the remaining balance in the Lottery for Education Account after the one-time transfer of \$10,000,000 is estimated to exceed \$415,000,000. Such balance is assumed to be invested long-term at a rate no less than four and one-half percent per year.
- Annual interest earnings are estimated to exceed \$18,675,000 per year ($\$415,000,000 \times 4.5\% = \$18,675,000$).
- The total increase of recurring costs for the lottery scholarship program as proposed for FY09-10 and subsequent fiscal years is estimated to be \$27,429,200 per year. This amount includes \$10,000,000 for annual Tennessee Student Assistance Awards, which are to be funded with interest earnings generated from the Lottery for Education Account. The remaining annual interest earnings (estimated to be \$8,675,000 per year) will fund other provisions of the bill as amended. An additional \$8,754,200 will be required from recurring lottery revenue to fund all provisions of the act.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a larger, more prominent script than the last name "White".

James W. White, Executive Director

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